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June 27, 2018

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Secretary Mnuchin,

As President Donald Trump's special task force on postal reform finalizes its review of the Postal Service, I request that the task force consider recommending a prohibition on any pilot programs, enhancements, or expansion to its nonpostal banking services.

While the concept for postal banking is nothing new, it's still a terrible idea. According to the Brookings Institute, postal banking would create a government subsidy that puts taxpayer on the hook to finance.¹ While that is reason enough to be concerned, the fact that the Postal Service would be the one to administer this program is cause for greater alarm. Over the past few years, the Postal Service has managed to oversee a massive data breach of almost a million customers and employees' personal data and Social Security numbers,² and the Postal Service was audited for having insufficient controls in place to stop money order fraud used for money laundering schemes.³ Putting Americans' hard-earned money at risk at an agency with that kind of track record would be a recipe for disaster.

¹ Peter Conti-Brown, *Why the next big bank shouldn't be the USPS*, The Brookings Institute Center on Regulations and Markets (May 31, 2018).

² Laura Stevens, Danny Yadron and Davlin Barrett, "U.S. Postal Service Says It Was Victim of Data Breach," *Wall Street Journal* (Nov. 10, 2014).

³ Office of Inspector General United State Postal Service, "Controls to Detect Money Order Fraud Audit Report," Report No. DP-AR-13-002 (Feb. 7, 2013).

And yet, despite the egregious errors and public assurances that its “core function is delivery, not banking,” the Postal Service seems headed down a dangerous path. In July 2016, the Postal Service reached an agreement with the American Postal Workers Union establishing a joint task force to create a pilot program to modernize its money orders and expand international money transfers.

To be sure, a collective bargaining agreement does not magically create new powers for the Postal Service to offer more banking services. Nor does the underlying legal framework allow the Postal Service this type of leeway. On the contrary, Congress made clear in 2006 that the Postal Service is prohibited from offering new, nonpostal services and that the Postal Regulatory Commission must approve even “adjacent” nonpostal products in the future. In other words, any attempts by the Postal Service to expand or enhance its banking services are well beyond the scope of its statutory authority.

Still, the labor union contract shows that the Postal Service might need reminding that it has zero authority to expand or enhance its nonpostal banking services, particularly without Congressional approval. I appreciate the task force’s hard work in comprehensively reviewing the Postal Service and request that as part of its review, the task force finally put the bad idea of postal banking to rest.

Sincerely,



Patrick McHenry
Vice Chairman
Financial Services Committee